

Realty Trust Review

November 11, 1974

VOL. V, No. 21

VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

ANNUAL REPORTS OF INVESTMENT TRUSTS REVIEWED THIS YEAR									
Trust	Rel. Appeal	Port. Yield	-12Mo. Port. Chng. Last	Lever. E.Next Ratio	Price	Ann. Yield*	Div. Reinv.	Page	
Atico Mtg.	4	14.16%	58%	5%	1.49	\$5.13	27.3%	No	7
Continental Mtg.	5	11.77	22	0	3.90	1.13	0.0b	Yes	3
Cont'l Ill.Rlty.	5	13.61	5	0	2.75	3.13	0.0b	No	2
Heitman Mtg.	2	14.07	17	-2	1.86	4.50	17.8	No	5
Institutional Inv.	5	10.32	39	0	0.85	2.38	0.0b	No	5
Lomas & Nettleton	2	14.28	-3	-15	2.22	16.75	19.1	No	6
Midland Mtg.	5	12.49	10	2-4	1.42	3.25	0.0b	No	4
North Amer.Mtg.	2	13.63	1	-10	1.63	9.13	19.7	No	8
AVERAGES		13.04%	19%	-2%	2.02		10.5%		

*Based on annualized latest qtr. b-Quarterly omitted, fiscal year-end may be paid.

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing. NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

SHORT-TERM LENDING TRUSTS OFFER SOME SPECULATIVE VALUES ON HIGHLY SELECTIVE BASIS

The eight construction lending mortgage trusts reviewed this issue provide answers for the frequent question, "What makes the difference in an interim mortgage trust?" We carry three trusts--Heitman Mortgage, Lomas & Nettleton Mtg., and North American Mtg.--as No. 2 (above average) in Relative Appeal, currently the highest ranking accorded any short-term mortgage trust, while four are rated No. 5 (lowest) and one (Atico) is No. 4. These rankings reflect the fact that the four No. 5s have all signed revolving credit agreements restricting them to paying only an annual dividend after the fiscal year audit. Atico Mtg. is now in audit and negotiating a revolving credit too, so there's concern it may be tied up with the same restrictions. The other three are reasonably expected to continue quarterly dividends, although two face December year-end audits too.

We have always felt the REIT vehicle is one primarily producing forced flow-through income for investors, hence our reliance upon the dividend outlook for a large input to the rankings. But behind the dividend characteristic lie major differences in portfolio and liability management. In the table above two of the three highest-rated trusts (L&N and NAMI) began cutting back commitments months ago in view of uncertain real estate conditions and thus their portfolios have been virtually flat for a year. This reduced liquidity pressures and held leverage at modest levels when low leverage is a major plus. All three are near or below the average for leverage ratios too. Thus all score very high in the fundamental matching of asset growth with fund sources.

The table on page 2 provides further insights. The three highest rated trusts have

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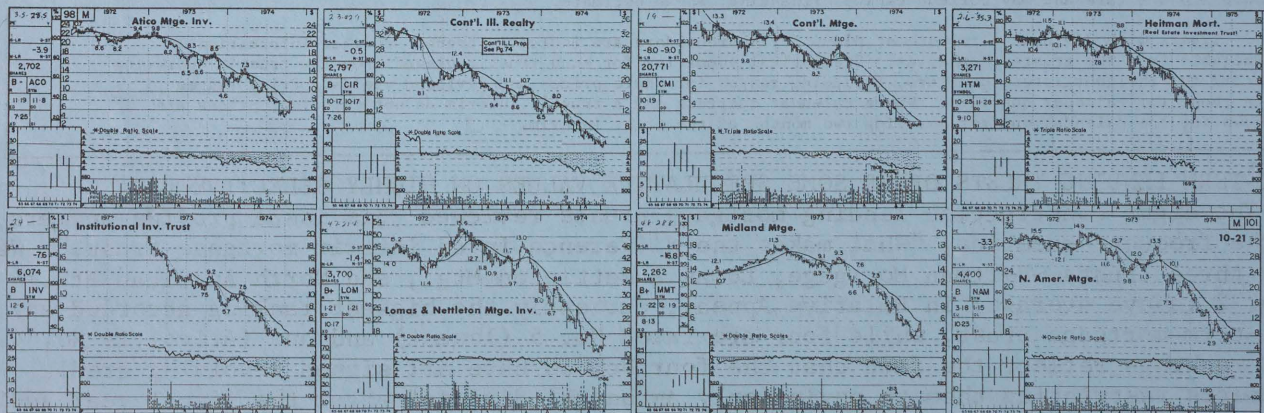
SIX KEY RATIOS

	Loss Res.*	-Portfolio-- %Land %Condo	Exp. Ratio#	-Floating Port.	Rate- Funds
Atico Mtg.	1.19%	28% 48%	1.59%	NA	60%
Continental Mtg.	3.90	42a 37	1.43	44	74
Cont'l. Ill. Rlty.	2.50	20 29	0.75	15-20	73
Heitman Mtg.	0.67	15 23	1.20	60	65
Institutional Inv.	1.16	34 22	1.37	28	46
Lomas & Nettleton	0.78	24 4	1.32	64	69
Midland Mtg.	1.64	9 25	1.36	NA	59
North Amer. Mtg.	1.73	10b 0b	0.67	NA	62
AVERAGES	1.70%	23% 23½%	1.21%	43%	63½%

*Based on mtg. investments. #Based on avg. gross portfolio.
a-As of 3/74. b-As of 12/73. Note: % land + condo loans are not additive because of unknown amount of land development loans for condominiums.

in various ways shunned highly speculative properties (mobile home park, second home and recreational communities, etc.) and took a restrictive view toward land development and condominium lending, the latter being a relatively new type of housing in many U.S. areas. All are below the average for both percentage of portfolio in condos and land development loans. Two of the three (NAMI excluded) have minimized

exposure to the volatile Florida markets and all have stayed with standard income producing properties. Takeout coverage of construction loans for the three is generally higher than for other trusts. Loss reserves tend to be lower than average, especially for Heitman and Lomas & Nettleton, this being justified on ground of stronger portfolio. And in the key problem loan category, the trio averages 7% of loans in the non-earning category vs. 18.7% for the No. 5s and 19% for all short-term mortgage trusts. Atico also has a 7% reading but the in-process audit is awaited for a clearer current picture. Because problem loans have been well controlled, these trusts have maintained much greater liquidity and thus their line banks have not sought restrictive revolving credit agreements.



Charts courtesy Minsfeld

CONTINENTAL ILLINOIS REALTY (3--NYSE-CIR) FY Mar. 31

Quar.	Port.	Port Yld.	Non-earn.inv.	EPS Prim.	Div.	Price range-	Yld.range-
12/73	\$286.8M	13.54%	2.9%	\$0.51	\$0.48	\$19.63-12.00	14.0-9.8%
3/74	308.8	11.27	1.7	0.44	0.48	15.38-12.25	15.7-12.5
6/74	274.4	13.61	5.8	0.34*	0.34	12.75-6.13	22.2-10.7
9/74	276.0	NA	17.2	d1.69	0.00	8.00-3.50	0.0-0.0

* After \$0.06 loss on sale of investments. d-Deficit.

Portfolio dynamics: In the past 12 months the portfolio increased by 5%. The decline in portfolio in the June quarter was caused by sale of a participation interest of about \$61.2 million in ten trust loans to Continental Illinois National Bank, sponsor of the trust. A decline is expected in the portfolio in the next year since no new commitments are being made and principal of existing funding will be reduced. The portfolio by type is 73% constr., 18% development, 5% intermediate & long-term, 2% each land and junior. The 20% in development and land loans appears to be the area of greatest exposure. Construction loans by project type are 40% condominiums, 35% apartments, 11% office buildings, 5% shopping centers, 4% each special use projects and single family subdivisions and 1% industrial warehouses. A substantial reduction in apartment loans is expected in the next year as these loans are being repaid at a faster rate than other

loans. Condominium loans, under pressure because of limited permanent mortgages, represent 29% of investments. Most non-earning loans are on condominiums. Loans are located in 26 states, Canada and P.R. with 20% of investment in both Fla. and Calif. Although about 70% of loans are tied to prime, only about 15-20% are presently floating. As of Sept. 30 the trust had non-earning loans of \$47.5M or about 17.2% of investments and equal to 91% of shareholders' equity. Nearly three-fourths of these non-earning loans, about \$35M, are on condominiums located mostly in Fla. with one loan in Portland, Ore. and another in Calif. About \$3M are land loans located in Calif. and \$4M are investments in securities of other real estate companies. The remainder are various types. Trust has one foreclosed property for \$162T on land located in Fla.

Financing: As of June 1974 the trust was funded 27% by capital and 73% by non-convertible debt. Capital of \$76.8M was 67% in equity with 2.80M shares and 33% in 7-5/8% senior subordinated notes. Debt of \$210.9M was 69% in bank loans (incl. \$55M Eurodollar loan), 19% in commercial paper and 12% in a term loan. On Sept. 16, the trust paid off the \$55M Eurodollar loan. Commercial paper is no longer sold. The trust is presently negotiating a \$215M revolving credit agreement which will replace its bank lines, which amounted to \$115M with 19 domestic banks at June 30. It expects to complete the agreement by mid-November. Sponsor: Continental Illinois Corp., bank holding company of Continental Illinois National Bank and Trust Co. Effective Jan. 1, 1974 the trust amended its advisory fee so that the adviser receives the greater of 25% of trust income before the fee or 1% of shareholders' equity. The trust assumed certain administrative expenses once paid by the adviser. Results & outlook: The trust had a loss of \$4.7 million after a \$5 million (\$1.79/sh.) addition to its loss reserve for the Sept. qtr. A dividend was not paid for its Sept. qtr. Non-earning assets also increased significantly during the Sept. qtr., reflecting the historic aggressive stance of the portfolio. Sale of participations and repayment of the Eurodollar loans bespeak internal liquidity problems which may be resolved by the revolving credit agreement in negotiation. If that revolving credit follows recent patterns for other construction-lending REITs, it could limit new commitments and require payment of annual dividends only. With little expectation of an early payout, our Relative Appeal Ranking of 5 (least appeal) remains in force. (VCK)

CONTINENTAL MORTGAGE INVESTORS (1½--NYSE-CMI) FY Mar. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
12/73	\$700.3M	18.79%	0.0%	\$0.27	\$0.25	\$12.25-6.63	15.1-8.2%
3/74	757.9	12.47	6.2	0.23	0.23	7.75-6.00	15.3-11.9
6/74	792.0	11.87	16.7	0.02	0.00	6.50-2.00	0.0-0.0
9/74	825.7	11.77	24.0	d1.50	0.00	2.75-1.00	0.0-0.0

Portfolio dynamics: During the twelve months ended Sept. 30, the portfolio increased 22%. No growth is expected in the next year and a decline in investments is likely. Terms of a new revolving credit agreement prohibit issuing new commitments. The Sept. portfolio was 89% constr., devel. and other short-term, 6% permanent, principally FHA - VA and 5% real estate (property acquired through foreclosure). Historically short-term lending has been about 55% constr., 45% development. The mortgage portfolio by property type at June 30 was 42% condominium, 22% recreational, 21% single-family, 5% commercial, 3% office buildings, 2% hotels and motels, 1% each shopping centers and industrial. The heavy exposure to the sticky condominium market, 37% of all investments, may stretch out solution of problem loans. Investments are located in about 30 states with concentrations in Fla. (23%) and Calif. (17%). Management estimates that about one-half of mtg. investments are presently floating with market rates so that 44% of the portfolio floats. Trust recently announced that it had non-earning investments of \$198M, equal to 24% of Sept. 30 portfolio and 133% of equity. In this total are 18 properties acquired through foreclosure and 25 loans on which interest accrual has been halted. Management declines to detail these loans except to say they are of all types and of broad geographical distribution with some concentration in Calif. One of the largest is \$19M on a 40-story office building in Miami, Fla., called One Biscayne.

Financing: Trust is funded 20% by capital and 80% by non-convertible debt. Capital

of \$163.6M is 72% in equity with 20.8M shares and 28% in 2 convt. subor. deben. (5% and 6½%). Debt of \$638.6M is 52% in bank loans, 41% in term loans (\$179M term loan, \$80M Eurodollar revolving credit, \$40M revolving credit) and 7% in 3 senior notes. Trust is virtually out of commercial paper, having only \$415,000 out. A revolving credit agreement for \$536M at 130% of prime will be completed shortly. This agreement will replace short-term bank lines plus the \$179M term loan and \$40M revolving credit agreement. The \$80M Eurodollar credit will be amended to the terms of the new revolving credit agreement. Sponsor: Independent but trust managers are officers of Continental Investment Corp., manager via a subsidiary of Diversified Mtg. Investors, an intermediate term mtg. trust. Continental Investment Corp., a diversified financial company, has encountered recent financial difficulties and sold some subsidiaries. Results & outlook: The large drop in earnings in the Sept. qtr. was caused mainly by addition of \$30M (\$1.44/sh.) to allowances for loss. Some \$10M of this addition was an allowance for possible loss on sale of FHA & VA loans. The increase in non-earning investments also hurt results. The outlook for next year is not bright. Heavy exposure to condominiums may cause further increases in non-earning loans. The negative spread between funds loaned and funds borrowed will be eased with reduction in interest rates. Dividends will be declared annually due to terms of the new credit agreement. Recovery appears distant and shares continue to carry a Relative Appeal Ranking of 5 (lowest). (VCK)

MIDLAND MORTGAGE INVESTORS (3-1/8 --NYSE-MMT) FY June 30

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
12/73	\$115.7M	13.25%	3.6%	\$ 0.45	\$0.43	\$16.50-11.25	15.3-10.4%
3/74	115.4	12.59	5.2	0.40	0.40	12.88-10.50	15.2-12.4
6/74	120.7	13.45	6.6	d0.16	0.25	11.50-7.00	14.3-8.7
9/74	122.1	12.49	16.0	0.12	0.00*	7.25-3.00	0.0-0.0

* Div. deferred till negotiations for revolving credit completed. d-Deficit.

Portfolio dynamics: In the next year, management expects some portfolio growth due to funding existing commitments. The trust is making selective new commitments. The portfolio, which grew 10% in the past twelve months, is 81% constr., 6% devel., 5% standing 4% junior, 2% refinancing of foreclosed property and 1% each real estate leased to others and property acquired through foreclosure. About 56% of loans are covered by takeouts from various financial institutions. Mortgage loans by project type were 34% multi-family, 25% condominiums, 10% commercial buildings, 8% single-family, 7% land, 5% office buildings, 4% each shopping centers and equities, 2% development and 1% warehouses. The 25% in condos and 7% in land represent the largest current exposure. Loans are located in 19 states and Wash. D.C. with 32% in Fla. and 25% in Okla. The percentage of loans floating with market rates is not available. At Sept. 30 trust had non-earning investments of \$19.6M, equal to 16.0% of portfolio and 65% of shareholders' equity, both below the averages for short-term lending trusts. There are 15 non-earning loans. Two loans for \$623T, land in Denver and some single-family homes, have been acquired through foreclosure. The remaining 13 loans for \$18.98M are in non-accrual status. The largest is \$4.29M for an apartment project in Largo, Fla. Next in size is a \$2.77M apartment project in Tulsa which is now renting. Others include a \$2.3M land loan in Dallas, a \$2.28M loan for Phase I of apartments in Memphis, Tenn., a \$1.55M land devel. loan in Tulsa, Okla., a \$1.4M condo loan in Omaha, a \$1.6M condo loan in Denver, and a \$1.1M motel loan in Arkansas. The remaining loans are two apartment loans and three land loans.

Financing: Trust is funded 41% by capital and 59% by non-convertible debt. Capital of \$52.8M is 54% in equity with 2.38M shares, 38% in 8% senior subor. notes and 8% in 7% convertible subor. deben. Debt of \$74.89M is 95% in bank loans and 5% in commercial paper. The commercial paper is being sold locally. Some 59% of funds float with market rates. Trust is currently negotiating a revolving credit agreement to replace its bank lines. Bank lines presently amount to \$76.5M plus a \$10M standby. Shareholders at the mid-October annual meeting rejected a proposal which would have permitted issuance of preferred shares. Sponsor: Midland Mtg. Co., an Oklahoma City mtg. banker. Results & outlook: June qtr. results were adversely affected by a special charge of \$1.27M to the

loss reserve (\$0.53 per share). Since \$1M of the loss reserve is not expected to be tax deductible, the trust declared a \$0.25 dividend for the June qtr. Sept. results were hurt by lower revenues and increased interest expense. A dividend was deferred until the revolving credit agreement is finalized. Near term results do not look promising due to significant problem investments and continuing high interest costs. Dividends may be restricted to annual distributions under the revolving credit agreement now being negotiated. Shares retain a 5 Ranking (lowest) in Relative Appeal for the near term. (VCK)

INSTITUTIONAL INVESTORS TRUST (2-3/8 --NYSE-INV) FY Jan. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
10/73	\$141.8M	12.95%	6.4%	\$0.37	\$0.36	\$13.75-11.00	13.1-10.5%
1/74	173.1	13.32	5.1	0.38	0.37	13.50-8.38	17.7-11.0
4/74	180.0	11.53	8.2	0.31	0.30	9.25-4.75	25.3-13.0
7/74	182.8	10.32	17.6	0.08	0.00	5.25-2.13	0.0-0.0

Portfolio dynamics: Although the portfolio increased 39% over the last year, little or no growth is expected in the next 12 months. Investments increased slightly in the Oct. qtr. but few commitments exist to fund. The portfolio at July 31 was 34% devel. and land acq., 20% constr., 32% standing and permanent, 8% junior, 5% land purchase lease-backs and 1% real estate owned (property acquired through foreclosure). By type, the portfolio was 33% commercial & industrial, 28% apartments (garden-rental), 22% condominiums, 13% single family and 4% land. Investments are in 29 states, Canada, P.R. and the Virgin Is. with 12% in Fla. & Pa. and 10% in Calif. Some 19% of the portfolio is covered by takeouts. About 28% of all investments float with market rates. As of July 31 the trust had 24 loans amounting to \$32.1M on which it was not recognizing income. The breakdown of these loans by type was 38% constr., 34% devel. & land acq., 17% junior, 7% equity and 4% permanent. These non-earning investments are in eleven states concentrated in Tex. and Fla.

Financing: The trust is funded 54% capital and 46% non-convertible debt. Capital of \$100M is 80% equity with 6.07M shares and 20% in 7-7/8% senior subor. notes. Debt of \$85.3M is 71% in bank loans and 29% in a one-year Eurodollar loan. Some 46% of funds float with market rates. The trust is completely out of commercial paper. Present bank lines amount to \$54.5M. The trust is negotiating with its banks for a one-year term loan which would tie together present bank lines and the Eurodollar loan. This agreement should be completed by Dec. Sponsor: Donaldson, Lufkin & Jenrette, Inc., securities broker, and several pension funds. Results & outlook: A drop in revenues and a special addition to the loss reserve of \$633,000 were the prime reasons for the July qtr. earnings decline. A dividend will not be paid until after fiscal year-end Jan. 31. Little recovery in earnings is expected near-term as significant non-earning investments, high interest rates and negative spread on borrowings will all squeeze earnings. In our Relative Appeal Ranking trust shares carry a 5 (lowest) ranking due to these conditions. Shares continue to have little investment appeal. (VCK)

HEITMAN MORTGAGE INVESTORS (4-3/8 --ASE-HTM) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
12/73	\$180.5M	14.28%	0.0%	\$0.52	\$0.45	\$14.88-9.13	19.7-12.1%
3/74	183.4	13.57	0.4	0.51	0.45	11.25-9.00	20.0-16.0
6/74	191.8	14.19	1.1	0.41	0.40	10.13-6.75	23.7-15.8
9/74	193.0	14.32	7.0	0.20	0.20	7.38-3.50	22.9-10.8

Portfolio dynamics: Funded investments rose about 17% the past year but no new commitments are being made and fundings are expected to peak in December-January before declining slowly. Holdings at July 31 were 57% interim construction and short-term loans, 23% intermediate-term loans, 2½% long-term loans yielding only 9.7%, 15% land development loans, and 3% second mtgs. and wrap-arounds. About 32% of fundings are in shopping centers, 23% in condominiums (nearly all outside Florida), 18½% office buildings, 15%

apartments, 6% each industrial buildings and hotels. Activity is centered in the Midwest and West, with 34% in Illinois, 19% in other Midwestern states, 14% in California and 14% in other Western states, and Florida about 6%. Mortgage loans have been concentrated in standard properties largely outside the rapid growth areas of Florida and Texas, and land development and condominium loans have been held at moderate levels. The trust has no recreational community or second home loans, no mobile home parks. Non-earning loans rose to \$14.0M, or 7.0% of holdings and 39% of shareholders' equity, at Sept. 30. Non-earning investments are 32% in Florida, 22% each in Texas and Minnesota, and 18% in Illinois. Major loans include a \$3.0M industrial building in Minnesota, completed and leased with no loss expected; \$2.3M in a Florida land development loan, expected to be brought current this month; \$2.1M construction loan on an Illinois recreational facility, where the trust holds additional security; a \$1.0M condominium conversion loan in California; and \$2.05M in three separate Florida land loans to two borrowers. HTM has always sought to maximize commitment fee income and thus forward commitments are relatively high, \$219M in unfunded loans plus \$56M standby and gap commitments at Sept. 30. Commitments include \$93M in long-term mortgages mainly on shopping centers at an unattractive 9.6% yield; funding is considered unlikely because of large fees attached.

Financing: Trust is funded at June 30 with 35% capital and 65% short-term debt. Capital of \$73.2M is 49% equity with 3.29M shares, 23% in a 7½% convertible subor. debenture, and 27% in a \$20M senior subor. note from the sponsor at 1% over prime plus 15% compensating balances. Short-term debt of \$136.3M is entirely bank borrowings under open lines totaling \$157.3M currently. HTM has shunned commercial paper, considering costs and volatility unattractive. Sponsor: The Heitman Group, Chicago mortgage banker specializing in originating commercial mortgages and administering construction loans for banks, insurance companies and other investors. Results & outlook: The Sept. qtr. earnings decline reflected an extra \$200T allocation to the loss reserve and sharply lower commitment fee income, which reduced earnings by about 4½-cents and 15-cents per share, respectively. Cessation of new commitments removes this source of income for near-term quarters. Loan administration has been strong historically, the result being lower problem loans. Falling interest rates should increase the spread since money costs will fall more rapidly than portfolio yield; overall we estimate 1% lower prime rate would add 5-cents or more to quarterly income. We are increasing the Relative Appeal Ranking to 2 for speculative purchases pending completion of the December year-end audit. (KDC)

LOMAS & NETTLETON MORTGAGE INVESTORS (17-NYSE-LOM) FY Jun. 30

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
12/73	\$378.0M	13.09%	0.5%	\$0.99	\$0.99	\$48.38-30.38	13.0-8.2%
3/74	397.7	12.37	1.4	1.00	1.00	35.00-26.00	15.4-11.4
6/74	388.0	13.58	6.2	0.85	0.85	29.13-16.00	21.3-11.7
9/74	365.7	14.28	6.8	0.80	0.80	18.88-11.88	26.9-16.9

Portfolio dynamics: Holdings declined 3% over the past year, the prudent hallmark of this conservative trust. Further reduction of 11% is slated for the next six months. This trust has done one of the best jobs of controlling portfolio growth, topping out in the March, 1974 quarter. New commitments are very selective, all with takeouts, \$33M in the Sept. qtr. vs. \$113M in the like year-ago qtr. As of June, the mix by property type was construction loans: 29% apartments, 4% office buildings, 4% shopping centers, 13% single family, 4% hospitals and 11% other commercial properties, 24% development loans, 6% other loans and 4% second mortgages. While covering 45 states, geographic concentration is 47% in the home state of Texas. Next biggest are 7% Florida, 6% Arizona, 5½% Colorado, 4% Louisiana, followed by Connecticut, California, Oklahoma and Georgia. Takeouts cover 65% of the portfolio and no new commitments are being made without takeouts. Over 64% of the portfolio floats with prime, half the remaining 36% having reached usury limits. The problem category totalled \$24.8M, the 6.8% of a portfolio being low for the group. This broke down \$5M in foreclosure and \$19.8M in non-earning status. The foreclosures consisted of a \$1.3M apartment loan in Buffalo, N.Y., some Atlanta real estate and the rest being land and single families of all sizes. There are 28 problem loans

plus some small builder loans. The biggest was \$3M of Florida condominiums, where a cost overrun resulted in more equity being sought. Next was \$1.8M in suburban Houston lots where sales are slow but the borrower is posting additional collateral. There is \$1.5M in a Houston land loan which is posted for foreclosure and a buyer exists. On a \$1.7M loan on three mobile home parks in California, the trust may have to take part ownership but there is a takeout for most, \$1M. Another problem is a \$1M country club development but a buyer experienced in clubs is interested.

Financing: The trust is funded 31% capital and 69% debt. Capital of \$122.5M is all equity, 3.7M shares. Debt of \$270M is 60% short-term bank debt, 38% longer term bank debt and 2% commercial paper. LOM paper is still rated P-1 by Moody's. While more interest in paper is being shown by buyers, no significant increase in placement is likely for several months. Some 69% of funds float with market rates. Sponsor: Lomas & Nettleton Financial, nation's largest mortgage banker. Results & outlook: Management expected to earn at an \$0.80/sh. quarterly rate even in a difficult environment with a 12% prime rate and continuing construction cost pressures. Some interest cost pressures are coming off in the Dec. qtr. but will be offset by reduced commitment fees. The current quarter's earnings may therefore be little changed from \$0.80. Some profit improvement is quite possible in the second half. The portfolio is essentially sound and conservative. Although land acquisition and development loans have increased over the years, they are down from last year. Barring an exceptionally long period of suspended development and financing, these well situated land parcels should not prove unduly sticky. Problems should remain modest and manageable. Additionally, losses should be contained within the loss reserve built up continually, now standing at \$3.4M. This trust is also distinguished by one of the most liquid positions and simplest capitalizations. Continued problems notwithstanding, these 2-Rated shares are a high caliber income and recovery speculation. (BS)

ATICO MORTGAGE INVESTORS (5-1/8--NYSE-ACO) FY Oct. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
10/73	\$102.0M	14.73%	4.5%	\$0.52	\$0.50	\$19.00-15.13	13.2-10.5%
1/74	123.3	13.84	3.8	0.54	0.50	18.38-10.00	20.0-10.9
4/74	134.5	13.45	4.6	0.48	0.50	15.00-11.00	18.2-13.3
7/74	142.7	14.16	7.0	0.33	0.35	13.63-8.63	16.2-10.3

Portfolio dynamics: The portfolio increased 58% in the past year and there should be modest growth in the next twelve months since fundings of existing commitments will exceed repayments. The portfolio at July was 59% constr., 17% devel., 11% land, 4% each junior and equity (real estate acquired through foreclosure), 3% wraparound and 1% each intermediate and land leasebacks. About 17% of the portfolio is covered by takeouts. By type of projects, investments are 48% condos, 21% multi-family, 15% apartments (rental), 6% office buildings, 5% residential, 3% planned urban devel. and 2% hotel/motel. The heavy exposure to the weak condo market is a potential trouble spot in the portfolio. Investments are located in 13 states but 82% is in Fla. This concentration in the weak Fla. market is another possible problem area. Very few loans are presently floating since most loans are in Fla. where the rate is 15%. At July, the trust had 12 non-earning investments amounting to \$9.9M, or 7.0% of portfolio and 22% of equity. Six loans for \$5.5M are real estate acquired through foreclosure. These properties include a small office building in Miami - \$336T; a land loan in S.C. - \$512T; improved lots in Cocoa, Fla. - \$347T; improved lots in La. - \$304T; a completed and 40% rented apartment in Miss. - \$1.6M; and a rental apartment in Miami, 60% complete - \$2.4M. Six loans for \$4.48M are in foreclosure. They include improved lots in P.R. - \$392T; second mtg. on rental apartment in Fort Lauderdale, Fla. - \$700T; land loan in Fort Lauderdale, Fla. - 600T; a house in Cocoa, Fla. - \$45T; land in Sunrise, Fla. - \$2.27T; and a condo in Cooper City, Fla. - \$515T.

Financing: Trust is funded 40% by capital and 60% by non-convertible debt. Capital of \$62.6M is 70% in equity with 2.71M shares and 30% in two (6¼, 6-3/4%) conv. subor. debent. Debt of \$93M is 73% in bank loans and 27% in senior term debt. This means that 60% of funds float. Trust bank lines amount to \$73M. Trust is negotiating a revolving

credit agreement to take the place of these lines. The agreement which should be signed at the end of Nov. will carry the usual restrictions of annual dividends and no new commitments. Sponsor: Pan American Bancshares, a bank holding company also owning a mortgage banker. Results & outlook: July results were hurt by higher interest costs and an additional provision to the loss reserve of \$300T (\$0.11 per share). Heavy exposure to the weak Fla. condo market may cause non-earning investments to rise from the acceptable levels at July. The Oct. dividend has been deferred until completion of the year-end audit. Trust shares carry a 4 rating in our Relative Appeal Rankings but may be subject to change pending completion of Oct. year-end audit. (VCK)

NORTH AMERICAN MORTGAGE INVESTORS (9½--NYSE-NAM) FY Dec. 31

Quar.	Port.	Port.Yld.	Non-earn.Inv.	EPS Prim.	Div.	-Price range-	-Yld.range-
12/73	\$227.5M	13.34%	3.6%	\$0.63	\$0.66	\$31.88-17.50	15.1-8.3%
3/74	228.7	12.19	7.2a	0.59	0.62	24.25-18.00	13.8-10.2
6/74	229.4	13.02	6.9a	0.51	0.54	18.75-8.50	25.4-11.5
9/74	p217.0	p13.63	7.3a	0.42	0.45	12.50-6.25	28.8-14.4

a-Includes approx. 3% of foreclosures on cash-only basis. p-Preliminary.

Portfolio dynamics: Sept. qtr. holdings were up only 1% from a year ago and management indicates fundings have fallen since then by some 11%, or about \$25M, in line with management policy set over a year ago to trim commitments and fundings because of unattractive spreads. The outlook is for continued runoff until both money and real estate market conditions produce more favorable spreads. Portfolio holdings are concentrated in standard urban income producing properties and the trust has almost no condominium loans. The composition of holdings at Dec. 1973, said to be little changed now, was 50% first mtg. constr. loans, 34% first mtg. interim loans, 10½% second mtgs., 2% purchase/leasebacks, and 3% property acquired through foreclosure. Holdings by property type were 36% garden apartments and townhouses, 26% high-rise apartments, 10% shopping centers, 9% office buildings, 8% land and land development loans, 6% hotel-motel, and 5% industrial. Locations were 21% Florida, 19% New York State (including 9% New York City), 8% Texas, 7% California, 6% Michigan. Problem loans have been well controlled and problem properties handled relatively quickly, the dollar value remaining stable since the March 1974 qtr. Foreclosed properties of \$8M include \$4.0M on a Houston apartment, completed in May 1973 and now 92% rented so it provides modest cash flow to NAMI; \$1.1M in a California office building also providing a low return; \$2.1M in an apartment site in Arlington, Va., acquired in 1972 from the Pomponio Bros. and not producing current income; and a \$1.45M land purchase/leaseback on a Kassuba apartment near Chicago, where several sale offers have been received. Other non-earning investments totaling \$7.1M include a \$1.3M participation in a Kassuba apartment in California, where the trust is suing its participating Midwestern bank; a \$2.8M construction loan on Largo, Fla. apartments, on which sale is pending; and \$3.0M on Houston townhouses being sold under lease-purchase plans.

Financing: Total funds of \$247.6M are 62% non-convertible debt and 38% capital. Capital of \$94.1M is 68% shareholders' equity with 4.4M shares and 32% in 5½% subor. debentures. Debt of \$153.5M was 70% short-term bank borrowings and 30% commercial paper at June 30. Commercial paper is now lower and usage of higher-cost bank borrowings up. Liability management has been strong historically. Dividends have included about 3-cents quarterly distribution of non-cash expense related to the 5½% debentures. Sponsor: Sonnenblick-Goldman Corp., New York mortgage broker. Results & outlook: Sept. qtr. earnings and dividends declined about 18% from the previous quarter largely because of record interest costs. Non-earning investments are a moderate drag on earnings and portfolio has been confined to standard income properties so that large holdings in overbuilt areas of Florida and Texas have done reasonably well. Liability management is strong historically. Although the approaching December year-end audit increases near-term risk, the shares continue to merit a No. 2 Relative Appeal Ranking. (KDC)